

Message Text

PAGE 01 TEL AV 07155 121048Z

51

ACTION SS-25

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 9744

C O N F I D E N T I A L TEL AVIV 7155

EXDIS

E.O. 11652: GDS

TAGS: ETRD, EAGR, PFOR, IS

SUBJECT: ISRAELI REQUEST FOR PL 480 - CY 1974

REF: STATE 168208

1. ISRAEL'S REQUEST FOR TITLE I, PL 480 COMMODITIES REFLECTS ACCURATE EVALUATION OF QUANTITIES ISRAEL WILL NEED TO PURCHASE IN CY '74, ASSUMING USUAL MARKETING PURCHASES (UMRS) SLIGHTLY IN EXCESS OF CURRENT YEAR. THERE IS OF COURSE NOTHING SACRED ABOUT PERCENTAGE ALLOCATION BETWEEN TITLE I AND UMRS, BUT THEY REFLECT PATTERN THAT HAS DEVELOPED OVER RECENT YEARS.

2. REAL PROBLEM FOR USG OBVIOUSLY IS TO DECIDE WHAT DOLLAR AMOUNTS WE WILL WISH TO COVER WITH EXTREMELY FAVORABLE FINANCING TERMS THAT PL 480 HAS PROVIDED IN PAST, SINCE THIS YEAR'S GOI REQUEST FOR ROUGHLY SAME QUANTITIES AS LAST YEAR WILL APPARENTLY COST OVER THREE TIMES WHAT IT COST LAST YEAR. GOI WILL OBVIOUSLY ARGUE THAT VASTLY INCREASED PRICES OF AGRICULTURAL AND MOST OTHER ISRAELI IMPORTS MAKES MORE PRESSING THAN BEFORE THEIR NEED FOR FAVORABLE TERMS. WE RECOGNIZE THAT USG DECISION IN THIS REGARD WILL OBVIOUSLY BE INFLUENCED BY WORLDWIDE DECISIONS IN PL 480 CONTEXT AS WELL AS ATTITUDE TOWARD OVERALL ASSISTANCE TO ISRAEL.

3. AS WE HAVE BEEN REPORTING, ISRAEL'S FOREIGN CURRENCY RESERVE POSITION HAS CONTINUED TO BE GOOD, RISING STEADILY SINCE LOW POINT OF 1970 AND STANDING AT \$1.65 BILLION AT END OF JULY 1973. TEL AVIV'S A-217, JULY 26, CONTAINS OUR PROJECTION BALANCE OF CONFIDENTIAL

PAGE 02 TEL AV 07155 121048Z

PAYMENTS' POSITION FOR 1973. IT CONTAINS GENEROUS ESTIMATE OF LIKELY IMPORTS AND MODEST ESTIMATES OF EXPORTS. ALTHOUGH IT MAY NOT FULLY REFLECT INCREASE COMMODITY PRICES IN LATER MONTHS OF CURRENT YEAR, WE CONTINUE FEEL THAT RESERVE POSITION WILL BE SUB-

STANTIALY BETTER AT END OF YEAR THAN IT WAS IN DECEMBER 1972 AND THAT IT WILL REPRESENT ABOUT FOUR MONTHS OF IMPORTS OF GOODS AND SERVICES.

4. FOR THESE REASONS, WE DO NOT RECOMMEND PROGRAM LARGER THAN \$60 MILLION. INDEED, IF USG WISHES TO IMPLEMENT EARLIER DECISION

TO TAPER OFF ASSISTANCE TO ISRAEL (STATE 230962), PL 480 OFFERS SUIT-
BLE OPPORTUNITY, ESPECIALLY IN THE LIGHT OF WORLDWIDE COMMODITY
SHORTAGES. ASIDE FROM OUTRIGHT GRANTS IN SUPPORTING ASSISTANCE,
RUSSIAN REFUGEES AND AMERICAN SCHOOLS AND HOSPITALS PROGRAMS, PL 480
TITLE I OFFERS MOST FAVORABLE TERMS IN OVERALL US ASSISTANCE
PACKAGE. ISRAEL WILL THEREFORE BE MOST RELUCTANT TO ACQUIESCE
QUIETLY IN COMMODITY REDUCTIONS.

5. IN OUR EXPERIENCE, ISRAELIS ACCEDE MORE GRACEFULLY IN NEGATIVE
US ECONOMIC POLICY DECISIONS WHEN WE CAN PLAUSIBLY ARGUE THAT THEY
ARE PART OF A WORLD-WIDE POLICY DETERMINATION.
KEATING

CONFIDENTIAL

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